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MEMORANDUM

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TO: Docket Control

FROM: Steve M. Olea
Director
Utilities Division

DATE: November 13, 2012

RE: STAFF'S RESPONSE TO ORAL COMMENTS IN THE MATTER OF PROPOSED
RULEMAKING CONCERNING THE PROCESSING OF COOPERATIVE
UTILITY RATE CASES (DOCKET NO. RU-00000A-12-0270)

Attached is the Staff Report regarding oral comments made by interested parties on Proposed Rulemaking Concerning the Processing of Cooperative Utility Rate Cases, pursuant to Decision No. 73287. Decision No. 73287 ordered the Utilities Division to file with the Commission's Docket Control on or before November 13, 2012, a document including (1) a summary of all written comments filed by interested persons after October 9, 2012, and oral comments received at the oral proceedings in this matter; (2) the Utilities Division's responses to those comments; and (3) a revised Economic, Small Business, and Consumer Impact Statement or a memorandum explaining why no revision of the prior filed Economic, Small Business, and Consumer Impact Statement is necessary.

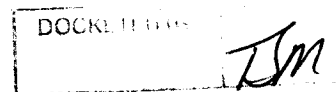
SMO:BEK:

Originator: Barbara Keene

Arizona Corporation Commission

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Docket No.: RU-00000A-12-0270

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**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

**PROPOSED RULEMAKING CONCERNING THE PROCESSING OF
COOPERATIVE UTILITY RATE CASES**

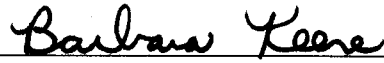
DOCKET NO. RU-00000A-12-0270

STAFF RESPONSE TO ORAL COMMENTS

NOVEMBER 13, 2012

STAFF ACKNOWLEDGMENT

The Staff Response to Oral Comments for Proposed Rulemaking Concerning the Processing of Cooperative Utility Rate Cases, Docket No. RU-00000A-12-0270, was the responsibility of the Staff member listed below.

A handwritten signature in black ink, reading "Barbara Keene", is positioned above a horizontal line.

Barbara Keene
Public Utilities Analyst Manager

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Introduction

The Arizona Corporation Commission ("Commission") issued Decision No. 73287 on August 10, 2012. In that Decision, the Commission ordered that a Notice of Proposed Rulemaking including proposed cooperative utility rate case rules be filed with the Office of the Secretary of State for publication. The Notice of Proposed Rulemaking was published in the *Arizona Administrative Register* on September 7, 2012.

Pursuant to Decision No. 73287, Staff filed the Economic, Small Business, and Consumer Impact Statement that addressed the economic impacts of the proposed cooperative utility rate case rules on September 7, 2012.

Decision No. 73287 requested that interested parties provide comments concerning the Notice of Proposed Rulemaking by filing written comments with the Commission's Docket Control by October 9, 2012. On October 15, 2012, Staff filed a summary of the written comments and the Utilities Division's responses to those comments.

Decision No. 73287 also provided for opportunities for interested parties to provide oral comments at proceedings held in Tucson on October 18, 2012, and in Phoenix on October 19, 2012. The Utilities Division was ordered to file with the Commission's Docket Control a document including (1) a summary of all written comments filed by interested persons after October 9, 2012, and oral comments received at the oral proceedings in this matter; (2) the Utilities Division's responses to those comments; and (3) a revised Economic, Small Business, and Consumer Impact Statement or a memorandum explaining why no revision of the prior filed Economic, Small Business, and Consumer Impact Statement is necessary.

Summary of Written Comments Filed After October 9, 2012, Regarding the Proposed Rules and Staff's Response to Them

One written comment objected to any rate increase. A consumer from the Safford area strongly objected to any proposal to avoid the Arizona Corporation Commission, and he would be glad to pay some money for the protection to prevent monopolies from taking unfair advantage of their customers.

Three written comments agreed with an expedited process for rate making and provisions for member input and interaction. A Mohave Electric Cooperative member supports an expedited rate making process because delays cost the cooperative large sums of uncollected fees and rates. In addition, three other Mohave Electric Cooperative members also agreed with an expedited process for rate making and provisions for member input and interaction. A Navopache Electric Cooperative member strongly supports the proposed procedures as resulting in savings to all concerned and reduction in unnecessary delays.

Staff believes that cooperative utilities meeting eligibility requirements should benefit from reduced legal and consulting costs from simpler rate filings and shorter processing time-

frames. Consumers of cooperative utilities should benefit as cooperative utilities pass on the cost savings of the simplified process to their ratepayers. However, cooperative utilities may file rate cases more frequently.

The proposed rules do not avoid the Commission's involvement in rate setting. Cooperative utilities would need to meet specific eligibility requirements in order to follow the streamlined process, including having a full rate case decision within 180 months preceeding the streamlined rate application and no more than five expedited rate cases could be filed without another full rate case being decided by the Commission. The utility would continue to include much of the same information in its expedited filings that is included in full rate case applications. In addition, notice provisions provide for cooperative members to be informed about a rate case filing, and the members have the opportunity to object. If enough customers object, the cooperative must withdraw its application and/or file a full rate case application.

Summary of Oral Comments Regarding the Proposed Rules and Staff's Response to Them

Sixteen persons spoke at the October 18, 2012, oral proceeding in Tucson. Fifteen were from the area of Sulphur Springs Valley Electric Cooperative. One person was from Trico Electric Cooperative's area. All of the comments supported the proposed rules because of savings in costs and time of processing rate cases.

Two persons spoke at the October 19, 2012, oral proceeding in Phoenix. Gary Yaquinto, President of the Arizona Investment Council, spoke in support of the proposed rules and mentioned the Council's 2008 white paper on streamlining administrative and ratemaking processes of the Commission. Michael Grant, from the law firm of Gallagher and Kennedy, stated that Arizona Electric Power Cooperative, Southwest Transmission Cooperative, and several other cooperatives support the proposed rules.

Staff believes that cooperative utilities meeting eligibility requirements should benefit from reduced legal and consulting costs from simpler rate filings and shorter processing time-frames. Consumers of cooperative utilities should benefit as cooperative utilities pass on the cost savings of the simplified process to their ratepayers. However, cooperative utilities may file rate cases more frequently.

Discussion of the Economic, Small Business, and Consumer Impact Statement

No revision to the Economic, Small Business, and Consumer Impact Statement filed on September 7, 2012, needs to be made.